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Argentina: The Resurgent Labor Movement

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An Intelligence Assessment

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July 1983*

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An Intelligence Assessment

This paper was prepared by [] Office
of African and Latin American Analysis. It was
coordinated with the Directorate of Operations and
the National Intelligence Council. []

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Comments and queries are welcome and may be
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[]

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Key Judgments

*Information available
as of 15 June 1983
was used in this report.*

Argentina's organized labor movement—largely Peronist—is making an impressive comeback. As the country moves toward the end of seven years of military rule and elections scheduled for October, the unions are regaining their status as one of the nation's foremost political forces. Although weakened and factionalized by the economic and political policies of military regimes since 1976, labor is reorganizing and has sponsored more strikes and demonstrations in the past year—including two successful nationwide strikes—than during the entire period of military rule.

We expect some disruptive union tactics between now and the elections, especially if the government adheres to the austerity program mandated by the International Monetary Fund (IMF). The IMF measures will restrain real wage gains and thus promote rank-and-file militancy.

Although increased labor activism will raise the risk of violence, we expect the unions to avoid major confrontation with the military regime. Several important Peronist labor and political leaders are engaged in an unofficial dialogue with military representatives that should help ease political tensions. Labor, above all, wants continued progress toward the lifting of all government controls over union organizations and there is general consensus that this is best achieved through democratization.

Labor potentially controls almost 4 million votes of an 18 million electorate in the October contest, which will pit Argentina's traditional civilian political adversaries, the Peronists and Radicals. If labor follows tradition and votes largely as a bloc for the Peronist ticket, it probably would be the decisive electoral factor and the most significant nonparty influence on the government. Similarly, Radical hopes for an upset rest with weaning some of the labor bloc away from the Peronist group.

No matter who wins, we believe labor militancy will diminish between the elections and the inauguration of the next government in January as the unions turn their attention to backroom political dealings to influence the appointments and policies of the incoming administration. A lameduck administration would be inclined, if necessary, to buy labor peace with wage concessions. Relative labor peace could endure for some months into 1984 because some variation of the 1973 Social Pact is likely—whereby labor, government, and management agree to self-imposed restraints to halt inflation and gradually increase labor's share of national income.

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Within this context, the government probably would initially follow a middle course between strict compliance with IMF programs and growth policies.

Nonetheless, we would not expect a Social Pact or similar arrangement to endure—even if a Peronist administration is in power. The 1973 accord lasted less than a year due to labor indiscipline and the chronic inability of key interest groups to maintain political accommodation. Argentina's social and economic problems today are so deep and persistent that fissures are almost inevitable before the end of 1984.

The expected breakdown—or failure to reach any accommodation in the first place—would lay the foundation for several potential consequences, including economic stagnation, renewed labor militance, another cycle of political instability, and heightened nationalism. We anticipate that labor groups would be a key rallying point channeling nationalist sentiment. US banks in particular would be at greater risk because they hold about half of Argentina's foreign debt. US subsidiaries, moreover, could face discriminatory price policies and further limitations on profit remittance and capital repatriation. In the worst case, some nationalizations could occur and labor would spearhead pressure for a partial or complete debt repudiation.

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Secret**The Crackdown**

After seizing power in 1976, the military blamed Peronism for the nation's political and economic ills and effectively used strong-arm methods to revamp organized labor. The military moved quickly to eradicate the extensive Peronist-labor network and depoliticize the unions; it banned formal labor activities, outlawed strikes, and denied unions the right to bargain collectively. At the same time, Peronist leaders were jailed, barred from union activities, or simply "disappeared." [redacted]

The regime reorganized the unions to lessen their power by placing military officers in charge of the largest ones. The military also took control of the vast system of union social programs and property. A 1979 law codified the military's dominance by placing unions under strict government control, banning nationwide labor confederations, and prohibiting political activism and recruitment. [redacted]

Labor also bore the brunt of the military regime's "free market" economic experiment, which opened the economy to foreign competition. Numerous business failures, according to the Argentine National Institute of Statistics, caused the industrial work force to decline 30 percent during 1974-81. Industrial wages as a share of total GDP fell from 30 percent in the second quarter of 1975 to 20 percent in the same period of 1982. Argentina's unemployment rate, meanwhile, rose from about 1 percent in the mid-1970s to 6 percent in April 1982. [redacted]

Labor's Reawakening

While the regime was dismantling the Peronist-labor network, veteran labor leaders were quickly forming parallel unions. The armed forces, concentrating most of their energies on the antiterrorist struggle and with labor temporarily quiescent, accepted this situation. Such parallel structures outside military control, however, underscored the labor movement's resiliency and partly undermined the regime's longer term objectives. They also have accounted for the movement's rapid reemergence as the military has loosened restrictions on labor. [redacted]

The Early Phase

Labor began earnestly regrouping its forces in 1981 during the short-lived government of President Viola, which took a relatively moderate stance by permitting some union activity. The unions, for example, revived the technically illegal General Confederation of Labor (CGT), the backbone of past Peronist labor support, without direct interference from the regime. According to the US Embassy, major union leaders grew more confident that the government would restore collective bargaining and eventually permit the reemergence of the traditional union structure. [redacted]

Although labor's hopes probably dimmed when President Viola was replaced by hardline Army Commander Galtieri in late 1981, the unions continued their efforts to evade government controls and flaunt restrictions on union activities. The new administration's inconsistent response to these moves further emboldened labor. The unions seized on the Falklands crisis to exploit Galtieri's need for popular support during the war in return for future concessions. They pressed, with some success, for labor control of the unions and a return of social programs to their jurisdiction. Shortly before his removal following the Falklands defeat, Galtieri returned control of a large union to labor leaders and promised an end to direct military intervention in 20 others. [redacted]

After the Falklands

After the Falklands defeat, the military government was too discredited to reimpose tough labor restrictions. To achieve a *modus vivendi* with the civilians, the Bignone administration, installed in July 1982, adopted the most tolerant attitude toward labor of any recent military government, largely because, in our view, of its fragile caretaker status. The administration also expressed support for union normalization and has granted liberal wage hikes. Moreover, Bignone's labor minister has union ties and is considered generally sympathetic to workers' interests. [redacted]

Accelerating inflation in the wake of the Falklands conflict, the squeeze on workers' real wages, and the weakness of the Bignone government helped trigger

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wildcat work stoppages. Last July, for example, 6,000 maritime workers went on strike until the Labor Minister agreed to mediate; in August bus drivers and railway workers staged a successful walkout for higher wages. To quell labor unrest, the government initially granted across-the-board wage hikes above the inflation rate. Since September, however, real wage increases have been restrained and the progression from scattered walkouts to nationally coordinated actions has proceeded apace. [redacted]

Heightened Activism

Discord within the new General Confederation of Labor—once again the primary body representing unions—has been a primary factor in the trend since last September to nationwide demonstrations and strikes. Although a focal point for labor activism and cooperation with the Peronist party, the CGT is still plagued by pre-1976 personal rivalries that intensify the factional struggle for leadership of the labor unions now emerging from under military control. The CGT is divided into two factions—CGT-Azopardo and CGT-Argentine Republic (RA)—that have attempted to harness worker ferment to advance their respective interests, to gain greater control over union leadership, and to exert more leverage over the Peronist party [redacted]

Last September, for example, the CGT-RA sponsored the first national demonstrations since 1974 to receive substantial worker support. The CGT-Azopardo, however, canceled plans for a nationwide strike in exchange for promises of government concessions, including the speeding up of the normalization of union activity. We and the US Embassy believe the failure of the government to honor its pledge on normalization temporarily tarnished the image of the CGT-Azopardo by creating the perception that the faction's leaders were unable to deliver for their rank and file. [redacted]

As a consequence, the CGT-Azopardo successfully organized a 24-hour nationwide strike for 6 December, apparently aimed not only at the government but at gaining advantage over its factional rival. It demanded early restoration of labor control over unions and social programs, higher wages, expansionary economic policies, and aid for the unemployed. [redacted]

The massively successful strike gave the CGT-Azopardo the political advantage it sought. The CGT-RA, after some hesitancy, joined in, and, according to the US Embassy and press, over 90 percent of Argentina's workers stayed off the job. Pressing its advantage, the CGT-Azopardo—once again joined by the CGT-RA at the last minute—called another successful 24-hour general strike this March, despite a government-decreed general wage increase. Neither government concessions—the administration decreed a general wage increase—nor threats—including declaring the strike illegal—deterred the unions. [redacted]

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Although divided, Peronist labor demonstrated that after eight years of suppression it was still a potent force. The Peronist movement gained, in the US Embassy's view, because it demonstrated its ability to channel peacefully the public mood. Most important, the Peronists established themselves as a viable and orderly political alternative to the military. [redacted]

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The Preelection Period

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Dealing With the Military

As in the past, tough political realists in both Peronist labor and the military are moving to establish a tactical alliance to confront national problems and satisfy mutual interests. The military, [redacted] hopes that behind-the-scenes negotiations with the CGT-RA will help shield it from criticism by labor and the new civilian government. It especially wishes to avoid a postelection accounting of its economic mismanagement, its role in the Falklands war, and its human rights excesses. Already, the CGT-RA has softened its stand on the human rights issue. When the military released its final report on the "disappeared," the CGT-RA's bland response contrasted sharply with the public outcry. [redacted]

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Argentine Labor Characteristics

Argentina's labor movement is rebuilding its membership, which was reduced by 40 percent under military rule. Organized labor is now about 4 million strong—approximately one-third of the work force—and is distributed among 1,100 unions. The US Embassy believes that Argentine workers, moreover, are again looking to the labor movement to defend their interests and are willing to participate in class-based politics. [REDACTED]

The labor movement is essentially divided between the two factions of the General Confederation of Labor (CGT). The CGT-Azopardo faction, headed by Jorge Triacca, represents more than half of the labor movement currently under union control and its membership contains some non-Peronists. Its faithful are called anti-verticalists because they only nominally accept Isabel Peron's leadership of the Peronist movement. The CGT-Azopardo has proved relatively pragmatic in dealing with the military; it has generally tempered its demands because it has feared that a serious confrontation would strengthen military hardliners. It has, nonetheless, pushed for negotiations with the government on its terms and has been willing to strike to defend its interests. [REDACTED]

In contrast, the CGT of the Argentine Republic (formerly the CGT-Brasil) represents about one-third of the labor movement now under union control and is led by Saul Ubaldini. Lorenzo Miguel, leader of the political arm of the faction and former head of the pre-1976 CGT, also has played a key role in

devising strategy and union maneuvering. CGT-RA members are referred to as verticalists because they are largely traditional hardliners who recognize the leadership of Isabel Peron. Although the CGT-RA initially refused to negotiate with the regime, the prospect of gaining control of the remaining unions under government intervention recently has drawn it into behind-the-scenes negotiations with the military. [REDACTED]

In the past, segments of the labor movement periodically have "played the military card," when labor-military interests coincided, to exert leverage against the government. During Isabel Peron's presidency, for example, CGT leaders held talks with ranking military officers to exert pressure against unpopular ministers and policies. Currently, Lorenzo Miguel, the point man in the CGT-RA's efforts to work out understandings with the armed forces, is carrying on the tradition of labor-military scheming. [REDACTED]

Until last March, a small number of unions had remained "nonaligned" in the current struggle between CGT factions. Subsequently, the nonaligned unions—mostly controlled by Peronists or their sympathizers—merged with the then Brasil faction of the CGT to become the CGT-RA. The merger increases its influence relative to its CGT-Azopardo rival, but the latter should remain the numerically larger faction unless the military favors the CGT-RA in returning the unions to labor control. [REDACTED]



Jorge Triacca (U)



Saul Ubaldini (U)



Lorenzo Miguel (U)

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In our opinion the military is looking to the CGT-RA because it believes this labor faction has more to gain than its rival and is thus likely to make deals more favorable to the military. According to press sources, moreover, the military apparently feels more comfortable dealing with the CGT-RA leadership because of past cooperation. The military is further motivated by the CGT-RA's strong ties to the political faction of Peronism that the armed forces calculates is most likely to win the party nomination and elections. For its part, we believe the CGT-RA primarily hopes to gain control of the remaining important unions still under military control, thereby bolstering its position relative to the CGT-Azopardo and increasing its political leverage within the Peronist movement. []

In our opinion, efforts to achieve a military-labor pact also involve several risks. According to the US Embassy, the CGT-RA's recent contacts with the military have raised suspicions in political circles concerning the intentions of the leaders. Any pact now struck by the CGT-RA would likely antagonize the CGT-Azopardo, possibly inviting retaliatory strikes and demonstrations. The CGT-RA also risks introducing new tensions in relations with the parties and within the military. Non-Peronist presidential hopefuls have strongly and publicly attacked these private talks and any potential deals. According to the US Embassy, the military's tolerance for Peronism has increased, but important segments—particularly in the Navy—remain distrustful and apprehensive about its resurgence through organized labor. []

Despite these risks we believe the military will strike informal agreements with Peronist politicians and labor that in the short term are likely to ease some political tensions. Even though the military is factionalized, its principal leaders appear to be behind the talks. []

Maneuvering With the Parties

Both major parties—the Peronists and Radicals¹—are actively courting labor, which represents the key and potentially swing vote in the election. If labor follows tradition and votes largely as a bloc for the Peronist ticket, its 4 million strong union membership probably would be the decisive electoral factor in October and the most significant nonparty influence on the new government. Similarly, Radical hopes for an upset victory rest with weaning some of this bloc away from the Peronists. A victorious Radical Party would thus be heavily beholden to its labor supporters. []

The personal and factional struggles within labor are complicating the Peronist Party's quest for political power. The CGT-RA and CGT-Azopardo are divided along political lines that roughly approximate the divisions in the Peronist Party. The CGT-RA, for example, supports leading Peronist politicians such as Antonio Cafiero and Deolindo Bitell, who are known as *verticalistas* for their support of Isabel Peron's leadership and autocratic party direction. The Azopardo faction, on the other hand, is closely tied to presidential hopeful Dr. Angel Robledo, a former defense minister and antiverticalista who supports greater party democratic reform. Italo Luder, who appears to be a likely compromise presidential candidate if a deadlock develops, may be broadly acceptable to both camps, but even he is more strongly identified with the *verticalista* wing. []

With the presidency at stake for the first time in a decade, the likelihood is that most Peronists will eventually unite around a single candidate. To the

¹ The Radical Party traditionally has been the vehicle of the middle class. Mainstream Radicals are committed to democracy and espouse a moderate brand of economic nationalism, protectionism, and state planning. In contrast, the Peronist Party is a mass movement centered in the working class. It is for the most part ideologically ill-defined, but maintains a strong commitment to economic nationalism, government intervention, and working-class welfare. Both parties are, broadly speaking, center left. []

extent that Peronist schisms persist, however, the chief beneficiary of labor and party disunity would be the Radical Party—especially if front-running Raul Alfonsin is the Radical presidential candidate. The US Embassy believes Alfonsin is the most personable and impressive of the potential presidential candidates, and we believe he can attract some Peronist working-class backing. Alfonsin already enjoys substantial support among the smaller, middle class unions—but this small minority will not be nearly enough for an election victory. [REDACTED]

[REDACTED] We believe he faces an uphill battle in weaning away from the Peronists enough labor support to gain victory, but he is likely to attract more labor votes than his party traditionally receives. [REDACTED]

Continued Fractiousness

The entire Peronist movement, with labor no exception, is more prone to disunity without the compelling presence of Juan Peron. He—rather than the loose body of philosophical and political thought that has grown around the movement—was the party's unifying force. [REDACTED]

The disunity in labor ranks will continue to give the military an important card to play in attempting to cut a deal with Peronist unions. Because of its recent successes in peacefully mobilizing worker protest on a national scale, the CGT-Azopardo is still generally believed to represent the mainstream of labor. The CGT-RA, however, is a formidable competitor and its recent dealings with the military may considerably enhance its stature in union circles. It could gain considerable ground at the expense of the CGT-Azopardo—and possibly achieve overall leadership of the labor movement—if it is favored by the military in the normalization process. The remaining unions under government control are likely to take this into account when they decide what faction to join. [REDACTED]

Any behind-the-scenes deals between labor and the military will ease some political tensions but only partly offset rank-and-file pressures for purely economic concessions. Both major labor factions may have to employ increasingly disruptive measures—including more frequent demonstrations and uncoordinated strikes—to strengthen their position within

the movement. Rank-and-file attitudes toward government economic policy probably will become more hostile because under the most plausible scenarios, we and other economists anticipate no gains in real wages or reduction in unemployment this year. In our opinion, labor will push for renegotiating the IMF program on nationalist and economic grounds, increasing state intervention to reduce unemployment, and using populist policies to recoup income losses. [REDACTED]

With these objectives, both major labor factions face interaction with the Peronist Party that will prove difficult and at times tense, despite the traditional deep ties. According to the US Embassy, Peronist politicians will seek the necessary labor support to win the election but without making ironclad policy commitments and becoming prisoners of labor. At the same time, Peronist labor leaders will be demanding a strong voice in party policy while attempting to maintain considerable autonomy. [REDACTED]

In our view, however, labor activism is not likely to be directed at destabilizing the military government to the point of overturning it. While increased labor pressures inevitably risk overreaction and could provoke significant violence, we expect the unions to stop short of confrontation. Labor would not advance its interests by strengthening military hardliners who instinctively fear resurgent labor and would favor tougher measures to repress heightened and violent union activism. At this juncture, labor tactics are designed to gain potential political advantage in advance of the elections. [REDACTED]

After the Elections

We believe labor militancy will diminish in the period between the October elections and the installation of the new government in January 1984. Labor, in our opinion, is more likely to seek understandings with the new administration—whether Peronist or Radical—and attempt to influence policymaking and the selection of several ministers, particularly labor, interior, and social action. Despite continuing divisions and economic deterioration, we look for labor to demonstrate restraint and a willingness to strike deals. If the

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Argentina: Bleak Economic Outlook

The broad patterns of Argentina's economic performance for 1983 are already fairly well set by events in the first half, but there are still risks of a deepening crisis. A trade surplus of over \$600 million was recorded for January and February, fortifying expectations of a \$3-3.5 billion surplus for the year. The favorable trade balance has put official reserves on the rise since mid-April. Inflation, though still high, declined steadily through May. Capacity utilization in April was up from 1982 and Economic Minister Wehbe has claimed a 2-percent growth rate for the first quarter. Compliance with the IMF program—a barometer of economic performance—is expected to be generally good through midyear, but we expect the Bignone government to relax austerity in its final months, which could imperil the economic progress now under way.

We and other economists in the US private sector believe that the economy will most likely be caught in the opposing pulls of government pump priming as against IMF-mandated austerity and will manage

only an anemic 2-percent recovery in production. Despite the new price control scheme, Buenos Aires's willingness to grant new wage increases and make frequent devaluations will cause inflation to hover between a 200- and 300-percent annual rate. Record grain exports and continued import restraints will enable the government to reduce the current account deficit to \$1 billion, an amount that can be covered under existing loan agreements.

There is, however, a chance that Buenos Aires will scuttle the IMF accord in the preelection period, thus laying the foundation for a deepening economic crisis. In this case, large wage and spending increases would cause inflation to spiral to a 400- to 500-percent annual rate resulting in another 5-percent economic contraction as investors withdraw financial support. Buenos Aires would again encounter unmanageable external financial strains and would probably declare a moratorium on debt repayments, forcing the country to operate internationally on a cash-and-carry basis.

Bignone administration faces potentially significant labor activity in individual unions, it is likely to grant wage increases to try to ensure tranquillity in its waning days.

Although a Radical or Peronist administration will be politically indebted to the massive labor bloc, we do not believe that the new government will immediately introduce redistributive policies to gain labor approval. Argentina is still recovering from Peron's past populist economic policies and the resulting political fallout. In our opinion, the next government will not immediately risk gutting the IMF program by massive wage and spending hikes, laying the foundation for runaway inflation and economic chaos. We believe, moreover, that a consensus will emerge that argues for policies needed to support Argentine economic recovery.

In our opinion, the most probable initial policy direction for the next government will be to follow a middle course between strict compliance with the IMF program and populist growth policies. We believe the resurrection of some variation of the 1973 Social Pact—whereby labor, government, and management agreed to self-imposed restraints in order to halt inflation and slowly increase labor's share of national income—probably would occur under this scenario. A social pact, or some other working political consensus, is most likely if the Peronists win the elections with a majority, giving them some greater latitude in choosing policy options. This course seems less likely if the Radical Party squeezes out a narrow electoral win that, among other things, could result in a more serious splintering of the labor movement.

An agreement in any event seems unlikely to endure even to the end of 1984. The early 1970s effort floundered because of labor indiscipline and the chronic inability of Argentina's key interest groups to reach broad political and economic accommodation; without Peron, divisive tendencies may be exacerbated. Argentina's social and economic problems, moreover, are now more serious and persistent and the international economic outlook less favorable to sustain a lasting accommodation. [REDACTED]

Without a social pact or similar accommodation, we believe economic policy making would be more difficult as the government caters to and balances specific group interests against the requirements of the IMF. More importantly, the breakdown or inability to reach a social pact could, in our opinion, ultimately result in:

- Economic "stagflation," because of frequent shifts in policy and continued inability to address deep-seated problems.
- Renewed labor militance, as factions compete to recoup income losses.
- Another cycle of political instability, as the new government is unable to cope with economic and political stresses and frictions with the military increase.
- Heightened nationalism, as difficulties with international lenders and the IMF persist and Argentines look for a scapegoat.

Although the military will remain chastened by its 1976-84 governing experience, these conditions over time would break down the armed forces' reluctance to reassume control. [REDACTED]

Implications for the United States

In our opinion, multinational corporations—especially US bankers and businessmen—would be the likely targets of heightened nationalism, and labor groups would be the key rallying point channeling such sentiment. Attacking the United States would be politically popular in view of the resentment still rife among Argentines for Washington's support of Britain in the Falklands conflict. US banking interests, seen as allies of the IMF, in particular, would be at greater risk because they hold about half of Argentina's total foreign debt of almost \$40 billion. US subsidiaries could also face discriminatory price policies, and further limitations on profit remittance and capital repatriation. [REDACTED]

In the worst case, the failure to recoup living standards and Argentine xenophobia would cause labor to spearhead pressure for a partial or complete debt repudiation. As under Peron, some nationalizations of foreign businesses could occur. [REDACTED]

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